



Credit Card Debt? Tell It to the Judge

Bankruptcies Are Up, and Judge John Ninfo Sees the Result

By VICKI MABREY

Jan. 20, 2006 — - Americans are drowning in plastic, maxed out, buying too much -- and more and more, forced into court as a last resort.

Cameras aren't allowed inside Judge John Ninfo's bankruptcy courtroom in Rochester, N.Y., but he's more than willing to talk about what goes on there.

"I'm not a sociologist and I'm not an academic," he told ABC News' "Nightline." "I'm just a bankruptcy judge from upstate New York who sees what I see around the system every day. But clearly, we live in this competitive, consumptive society where people are bombarded with advertising that tells them that they can have anything that they want, that they're entitled to.

"From what I see every day, is it the consumer credit that has resulted in the skyrocketed filings?" he asked. "There's no question about it."

Around Rochester, Judge Ninfo is called Judge Gung-Ho, partly because he's an ex-Marine but mostly because he's passionate about the pitfalls of consumer debt.

"One of the great things that the credit industry has done is convinced people that it's all about the monthly payment," Ninfo says. "And so they don't add their balances up."

That's what happened to Latame and Elizabeth Phillips of Richmond, Va. They got in trouble on car payments and started using credit cards to pay for daily life.

"[I started] using more credit cards to supplement different things like that," Latame Phillips said. "So the debt that we had went up and then we could no longer afford to pay the credit cards."

"Some credit cards we had," Elizabeth Phillips added, "once they see that you're behind on other things, they raise up the interest rate, you know, automatically."

Bankruptcy Trend

The Phillipses are joining a growing trend -- filing for bankruptcy. Last year set a record: More than 2 million Americans went bankrupt. And who they are might surprise you.

"Doctors, lawyers, accountants, engineers, teachers by the dozens," Ninfo said, describing bankruptcy filers in his court. "And I always use that as the basis for telling people that it is not about your academic IQ, it's about your financial IQ. And the two are not the same.

"The rule that I like to use is if it's \$10 or \$20, pay cash for it," Ninfo said. "If you can eat it or drink it, pay cash for it. And the best example of that is reported in the Wall Street Journal. When McDonald's started to

allow people to use credit cards instead of paying cash, the average sale went from \$4.75 to \$7. Need I say more?"

His point was that it wasn't painful to spend the extra money because it didn't really hit the McDonald's customers in their wallet right away.

However, Ninfo notes, some people wind up paying "probably double" for that \$7 credit card purchase once they incur finance charges and possibly even late fees.

Because minimum payments were so low in some cases that consumers were not paying anything on their principal, the government now requires that the banking industry raise the minimum monthly credit card payment. Credit card companies are now requiring cardholders to pay at least one percent of their balance off each month, in addition to interest, so consumers pay off their debt faster.

"They will pay less interest and they will pay off their debt quickly," said Nessa Feddis of the American Bankers Association, "which helps them, but it also helps banks because they're less likely to default and walk away from the loan.

Some card holder payments could double, which could drive up the cases in Judge Ninfo's courtroom.

"There will be some people who will undoubtedly end up filing bankruptcy, possibly as a result of it, earlier than they might otherwise have," he said. "But my view is that anyone who would have to file bankruptcy because the minimum payments on their credit facilities have doubled was destined to be in bankruptcy anyway. So it was a question of when, not a question of whether."

'Don't Have a Credit Card'

Ninfo has been on the bench since 1992. Before that, he was a bankruptcy attorney. Now, he spends his free time trying to educate kids before they get that first credit card.

"I'm just trying to reflect back what I see every day," he said. "The people who have ruined their lives because of it ... so many of them tell me, you know, once they've been through bankruptcy, 'I wish I never had a credit card.' I tell all my family and friends, 'Don't have a credit card.' I use cash now. I don't use credit cards."

But Judge Ninfo has a wish: "My fantasy," he said, "would be if every time you used your credit card in a store, for example, or in the airport or anyplace, there was a big neon sign. And it would show the world how much credit card debt you have. Not just on that card that you're using, but your total credit card debt."

This story originally appeared on ABC News' "Nightline" on Jan. 19, 2006.

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